

1 CHAIRPERSON JAMES: I'd like to open up for questions  
2 now.

3 Commissioner Lanni?

4 MR. LANNI: Mr. Gardner, you might suspect that I  
5 would be asking you a question.

6 MR. GARDNER: That would be the first one, yes.

7 MR. LANNI: I'm sorry?

8 MR. GARDNER: I assumed that you would be the first  
9 one to ask me a question.

10 MR. LANNI: Well good, it's good to assume things,  
11 sometimes you're correct when you assume, sometimes you're not.

12 Just for the record, I would like to note a couple of  
13 things. One, you referred to a number of instances that occurred  
14 at MGM Grand. I think for the record in all fairness, in your  
15 written report you didn't delineate that as far as the timing.  
16 Each and every occurrence that you talked about occurred well  
17 before I assumed my responsibilities.

18 MR. GARDNER: That is absolutely correct.

19 MR. LANNI: I know it is absolutely correct. I don't  
20 need you to confirm that. I'm saying that as of June 1st, 1995,  
21 is the date that I assumed those responsibilities. I think Mr.  
22 Wilhelm will confirm to you that I am not anti-union, that  
23 shortly after I joined the company we entered into a neutrality  
24 agreement, signed an agreement which we think is excellent for  
25 our employees, for our company, and I think John agrees that it's  
26 for his employees who are the same employees, it's excellent for  
27 them.

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1 I have a very positive working relationship with Mr.  
2 Wilhelm's union, with the operating engineers and other unions  
3 and other properties of ours, so I want the record to state that  
4 correctly.

5 MR. GARDNER: Fine. I have no reason to doubt any of  
6 that.

7 MR. LANNI: Fine. When it comes to the issue of the  
8 sidewalks that's an issue that preceded me also. I would like to  
9 discuss that in greater length, but in the written documentation  
10 that you provided each of the Commissioners you indicate this  
11 potential litigation, further litigation in that particular  
12 matter so I think my counsel if he were next to me would suggest  
13 that I not respond to that. At the appropriate time and it may  
14 be a different forum I would like to do that.

15 On the issue of children and theme parks and each of  
16 these factors; I happen to be a long time believer that Las Vegas  
17 from a business standpoint should not have geared itself towards  
18 directing its marketing towards families. I'm not, I'm not  
19 opposed to families, I'm a family man myself, I have two  
20 children.

21 My view is very simple on this issue and I apologize  
22 taking all the time of the other Commissioners and other people  
23 in this room because I honestly think that much of what you've  
24 raised didn't deal with the particular topic that you were here  
25 to discuss, but that is your prerogative and I feel compelled to  
26 respond to it.

27 When it comes to the children's aspect I think  
28 something has really changed in our society right now. If you

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1 take a look at what's different than when I was child and I have  
2 memory long enough to allow me to remember some of that, is that  
3 families didn't travel nearly as much together. Too many  
4 instances now, it's impossible for most people in this country to  
5 have a single member of a two parent family not working. When I  
6 was growing, up a single person of the two adults could work and  
7 have enough money to afford the family to have the opportunity  
8 but the second individual didn't need a position for pay because  
9 it's obviously if ones a homemaker that is position it's just not  
10 a position for pay.

11 What is changed is that people are working for  
12 instance, many more two family adults are working. They have  
13 less time to spend with their children and as a result of that I  
14 think they are traveling now more with their children, at every  
15 level the low, the middle, and the very high end of the income  
16 strata.

17 And I think Las Vegas was responding more to that  
18 than Las Vegas was in creating attractions to bring children in  
19 place.

20 Now I can tell you specifically where you stand today  
21 or sit today was formerly part of the theme park at MGM Grand.  
22 The theme park at MGM Grand has been reduced to approximately  
23 one-half of its original size. It was a very bad business  
24 decision in the first place. A decision I didn't make, that's  
25 easy for me to say.

26 Secondly, it now operates only during the summer and  
27 on certain weekends during the Easter/spring break holidays. And  
28 I suspect that will be changing as time moves forward.

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1           Where you are sitting right now is a former portion  
2 of that theme park. And we spent \$92 million on this 190,000  
3 square foot facility which does not necessarily attract children  
4 as I think you might be willing to accept.

5           Secondly we took a portion of it and developed six  
6 acres of pools and spa, again not necessarily attractive to  
7 children.

8           So you take a look at the arcade that you mentioned,  
9 you might have noted that the original arcade that you were  
10 talking about here in this hotel was four times the size of the  
11 current arcade. We have downsized it to be one-quarter of that  
12 size, it's an amenity. We have brought in a Studio 54 nightclub,  
13 again I think clearly would not be geared to your tourist  
14 children.

15           So I happen to agree with you that that's not really  
16 the future or even the present for Las Vegas. However, I think  
17 you should have clearly noted that was under prior management in  
18 which these things were brought about.

19           Now I think that was disingenuous of you to do that.

20           Another point you brought out in your written  
21 testimony and I must, I must respond to this because it becomes  
22 part of the permanent record and I'm obviously quite bothered by  
23 it.

24           You refer to an article, October 28th, 1998, in  
25 Common Cause, one of my close personal friendly publications, in  
26 which among other things they indicated that, if I may read from  
27 your written testimony, "Speaker Gingrich named two members of  
28 the Gambling Commission, one MGM Grand's Terrence Lanni was

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1 personally approved by McGraws Resorts chair Steve Wynn,"  
2 according to the Las Vegas Sun.

3 Now I can tell you I have a lot of respect for Mr.  
4 Steve Wynn, I can't say necessarily he has a lot of respect for  
5 me nor I can say that we have a lot things we agree upon but one  
6 thing I can guarantee we will agree upon, he did not support my  
7 nomination to this particular Commission. You go on to conclude  
8 which, again, quoting the Las Vegas Sun, "that the National  
9 Republican Congressional Committee received it's largest gambling  
10 industry contribution ever, a \$150,000.00 soft money contribution  
11 from Mirage Resorts just shortly after he had talked Speaker  
12 Gingrich into naming me for this position."

13 Now I happen to know how that funding came about, and  
14 again it's probably best to investigate some of these before you  
15 decide to invest in reporting an article from this particular  
16 newspaper.

17 Let me tell you what happened. If you go back to  
18 1996 there was a gubernatorial campaign in the state of New  
19 Jersey, Christine Todd Whitman (ph) was a reasonably tight  
20 election at that particular time. Mr. Wynn was very bothered by  
21 the fact that President Clinton went into that state to campaign  
22 for her democratic opponent and during a presentation happened to  
23 mention that he thought a federal excise tax on gaming might be a  
24 very interesting approach to the government in Washington, D.C.  
25 Mr. Wynn was incensed by that and very bothered by it.  
26 Logically, without spending a lot of time on excise taxes, I  
27 don't know how you pass on an excise in a gaming casino unless  
28 you change the odds of the game because that is a consumer tax.

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1 He was very bothered by that and shared it with a number of  
2 industry leaders that he was very bothered with the President of  
3 the United States, a democrat had suggested this and it might  
4 well be desirable from his standpoint that his company through a  
5 legal contribution make a contribution to the Republican party.

6 To tie these two events together, the first being a  
7 canard and the second time the aspect, the appointment being the  
8 canard and the aspect of having the \$150,000.00 donation as a  
9 payoff was wrong obviously for the Las Vegas Sun to report it. I  
10 think it was abysmal for you to include it in your report.

11 You obviously had the prerogative to do that. You  
12 have the prerogative to present your case as you see it and I  
13 certainly respect that right, but I think you really literally  
14 need to check the facts.

15 I would end in one last point on this as it reminds  
16 me and I never met you before I don't think but I know that I had  
17 a great respect for the late Hubert Humphrey, Vice President of  
18 the United States. He was a member of the United States Senate  
19 and at one point there was a person who came before one of his  
20 meetings and made some outrageous statements and Hubert Humphrey  
21 said to that individual and I think it fits you quite frankly,  
22 sir, is that the right to be heard does not necessarily include  
23 the right to be taken seriously.

24 MR. GARDNER: Mr. Lanni, first of all I have been  
25 involved in enough events that have hit the newspaper to  
26 understand that people on the inside frequently know a lot more  
27 and a lot better than what the newspapers report. And I have no

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1 reason to doubt anything that you have said here about those  
2 incidents.

3 And I apologize to you if in fact those have, that  
4 the quoting newspaper articles that I have disturbed you. I had  
5 at no time mentioned anybody's name in the MGM or implied that  
6 anyone in particular was responsible for anything before their  
7 time. It's my understanding that there is now. I have not tried  
8 to be personal and I think I'm owed an apology at this point.

9 It's my understanding that there is no question posed  
10 to me and the panel may proceed.

11 CHAIRPERSON JAMES: Well, thank you.

12 (Laughter.)

13 CHAIRPERSON JAMES: Commissioner Wilhelm.

14 MR. WILHELM: Two comments and a question, the first,  
15 well I certainly wouldn't attempt to delve into what happens in  
16 the Republican party or --

17 (Laughter.)

18 MR. WILHELM: -- or any other party for that matter,  
19 with respect to Mr. Lanni's comments about his relationship with  
20 our union and his employees represented by our union, that's  
21 absolutely correct. And more over, there's not a shadow of doubt  
22 in my mind that the arrest on the sidewalks in May of 1994 in  
23 which you refer, Mr. Gardner, would never had happened if Mr.  
24 Lanni had at that time been the chairman of this company. At the  
25 same time, which he was not then as he said. There's no question  
26 that none of that would have happened.

27 Having grown up in Virginia and having a family come  
28 from southwest Virginia I would suggest to you, Mr. Gardner, not

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1 a whole lot of difference between company towns whether they're  
2 in gambling or in other industries, you know, the coal miners  
3 union has a tough time using the sidewalks in southwest Virginia,  
4 too.

5 I do, however, want to say publically, Mr. Gardner,  
6 that your memorandum with respect your defense of the rights of  
7 free speech in Las Vegas I think it took a great deal courage at  
8 that time and I've never had a chance to say that publically and  
9 I wish to say it.

10 MR. GARDNER: Thank you.

11 MR. WILHELM: When you were then the deputy attorney  
12 general. And I don't know if that memorandum led in part to the  
13 end of your employment, but personally I suspect it probably did.  
14 I think it took a lot of courage and all of us in our union  
15 remember that.

16 With respect to Mr. O'Reilly's brief summary of the  
17 kinds of extremely detailed and in any other setting intrusive  
18 information that is demanded of gaming licensees, in case my  
19 fellow Commissioners are interested in that, the forms that are  
20 used as the basis for that are in the back of this booklet that  
21 we were given yesterday.

22 Mr. Smith didn't mention that in addition to casino  
23 executives and employees and vendors that both in New Jersey and  
24 Nevada union representatives in this industry are likewise  
25 subject to a form of supervision and investigation by the control  
26 board and the Commissions in their respective states which I  
27 believe to be entirely appropriate by the way.

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1           So because of that Mr. Lanni and myself have each  
2 filled out different versions of these forms and the rest of you,  
3 however, might be interested in them, they are, they would be  
4 regarded as Mr. O'Reilly says in any other setting as extremely  
5 intrusive, I personally think they are quite appropriate.

6           The question I have is this and it's a question of  
7 Mr. DuCharme. We heard testimony yesterday from the NCAA  
8 representative who actually arrived in and left Nevada in one  
9 piece. That's an inside joke about UNLV.

10           We heard testimony from him about the recent point  
11 shaving scandal at Arizona State University and I wonder if you  
12 could briefly describe to us the way in which that scandal was  
13 discovered?

14           MR. DuCHARME: Well actually the posted odds were  
15 taking some wild swings on Saturday morning and betters were  
16 chasing these odds even though they were being skewed ten points  
17 the other way. I received a call at home from one of the book  
18 operators and then a follow-up called from a sports wagerer, that  
19 said something is going on here. This game is not right.

20           Later that morning I believe Roxie Roxborough who  
21 disseminates line information to almost all the casinos called  
22 the league commission, we later called the FBI and investigation  
23 and sued. But it was because one our local bookmakers and book  
24 operators noticed this unusual betting occurrence and reported  
25 it.

26           MR. WILHELM: So at least in that one circumstance  
27 it's fortunate that one small corner of the huge world of sports  
28 betting is both legal and regulated?

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1 MR. DuCHARME: That's correct.

2 MR. WILHELM: Thank you.

3 CHAIRPERSON JAMES: Commissioner McCarthy.

4 MR. McCARTHY: Mr. Smith, it's been reported that the  
5 New Jersey Regulatory Commission --

6 CHAIRPERSON JAMES: I need you, Leo, could I get you  
7 to pull that up? Thanks.

8 MR. McCARTHY: It's been reported that the New Jersey  
9 Regulatory Commission promulgated regulations which would allow  
10 any casinos operating in your state to allow credit cards to be  
11 inserted into slot machines and perhaps other kinds of gambling  
12 machines.

13 Could you please tell us where that idea originated  
14 and what the rationale of your Commission was? And I ask the  
15 question with the background of looking at credit practices and  
16 procedures and trying to understand whether there is any  
17 empirically demonstrable tie to some pathological gamblers by  
18 simply easing the avenues credit that they might use even when  
19 they're chasing their losses.

20 MR. SMITH: Yeah, let me briefly explain what that  
21 was. It was not the use of credit cards in the slot machines,  
22 sir. It was a system developed by I believe it was COMDATA who  
23 had been mentioned earlier, where a person at a gaming table  
24 rather than leaving the table and going to an ATM machine on the  
25 casino floor or right outside the casino, could present his  
26 credit card at the table. The system would, would check the  
27 credit, be certain that it was a valid card, and issue the credit  
28 at the table.

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1 MR. MCCARTHY: I'm given to understand that no  
2 operating casinos in New Jersey have taken advantage, have chosen  
3 to exercise the right that your state agency would give them. Is  
4 that correct?

5 MR. SMITH: No, that is not correct.

6 MR. MCCARTHY: Can you tell us what the experience  
7 has been so far?

8 MR. SMITH: Yeah, I can tell you the experience as of  
9 the time that I left the Commission and that was the beginning of  
10 September. We having had a public issue come from that  
11 regulation, we determined that we would track the amount of play  
12 on these, on these systems so that we would be able to tell  
13 whether or not there were any abuses, whether or not there were  
14 any complaints, et cetera.

15 And the tracking showed to us what we believed, what  
16 the Commission believed when we passed the regulation, that it  
17 would simply be a convenience to the customer.

18 The amount of money obtained through that system was  
19 very, very small; I think less than one percent when compared to  
20 the credit issued by casinos themselves and that doesn't even  
21 compare it to the credit taken on third party accounts.

22 So it was very limited use. It didn't, there did not  
23 appear to be any abuses and it seemed to confirm to me that our  
24 reason for passing it, customer convenience, was in fact a valid  
25 reason.

26 MR. MCCARTHY: Thank you. One final brief question.  
27 We know that you keep good records on the amount of credit  
28 extended, house credit extended by New Jersey gambling

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1 facilities. Do you also track the amount of credit extended  
2 through credit card machines that are on the floors, not a part  
3 of house credit, but the machines are --

4 MR. SMITH: You mean ATM machines?

5 MR. McCARTHY: Correct.

6 MR. SMITH: Yeah, I, I, no, we do not. They're, to  
7 my knowledge there is no way to track that, no effective way.

8 MR. McCARTHY: You've attempted to track that and --

9 MR. SMITH: No, we --

10 MR. McCARTHY: -- and find it's not possible?

11 MR. SMITH: I cannot say that we have attempted to  
12 track that.

13 MR. McCARTHY: Thank you.

14 CHAIRPERSON JAMES: Commissioner Bible.

15 MR. BIBLE: I just have a brief comment is that the  
16 one thing that strikes me is that today is our last day of public  
17 hearings and we have a regulatory panel before us and I think a  
18 testament to the effectiveness of the regulation is the topic we  
19 have not talked about during our hearings. We've had hearings  
20 now for some 18 months and we really have not talked about  
21 organized crime.

22 Our predecessor Commission some 25 years ago put out  
23 volumes and volumes in detail about organized crime and the  
24 impact of organized crime on gambling. We have not had any  
25 discussion of any detail on that particular testament related to  
26 the effectiveness --

27 DR. DOBSON: Madame Chairman?

28 CHAIRPERSON JAMES: Commissioner Dobson.

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1 DR. DOBSON: I would like to make a statement here at  
2 the end of the day about organized crime in Las Vegas. Somebody  
3 has stolen my name tag--

4 (Laughter.)

5 DR. DOBSON: -- and I resent it very deeply.

6 CHAIRPERSON JAMES: Well, Commissioner Dobson, --

7 MR. BIBLE: It wasn't organized, there was probably a  
8 \$25.00 bounty on it.

9 CHAIRPERSON JAMES: Commissioner Dobson, we, the rest  
10 of Commission was a little concerned that your name tag was the  
11 only one worth taking as a souvenir.

12 MR. BIBLE: We all know who you are here in town.

13 CHAIRPERSON JAMES: And that was the best souvenir  
14 and nobody cared to have the rest of ours.

15 DR. DOBSON: Well I want it back.

16 (Laughter.)

17 CHAIRPERSON JAMES: I want to thank this particular  
18 panel. Thank you Mr. Gardner.

19 MR. GARDNER: Thank you.

20 CHAIRPERSON JAMES: Thank you for your testimony, Mr.  
21 O'Reilly, Mr. DuCharme, Mr. Smith. And you will always have the  
22 distinction of being the last panel and in some measure we  
23 believe one of the most important panels in terms of looking at  
24 this issue and putting it in the proper context and understanding  
25 the importance of regulation as we discuss this very important  
26 issue.

27 Any final comments from any Commissioners?

28 (No response.)

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